

Message Text

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ORIGIN PM-05

INFO OCT-01 NEA-10 NSC-05 SP-02 SS-15 CIAE-00 INR-10
NSAE-00 TRSE-00 L-03 EB-08 OMB-01 ACDA-12 ISO-00
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DRAFTED BY PM/SAS: COCECIL:TLB
APPROVED BY PM/SAS: HMCCELROY
NEA/AFN - T.WILKINSON
TREASURY - C.CROSSWHITE
T - L.BROWN
DOD/DSAA - H.MORRIS

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-----069361 122233Z /73

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FM SECSTATE WASHDC
TO AMEMBASSY RABAT
INFO SECDEF WASHDC 0989
USCINCEUR VAIHINGEN

C O N F I D E N T I A L STATE 204327

E.O. 11652: GDS

TAGS:MASS, TN

SUBJECT: MOROCCAN FY 1978 LOAN AGREEMENT

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REF: A). R8BAT 4119 B). STATE 201542 (NOTAL)

1. DEPARTMENT IS PREPARED TO APPROVE PROPOSED FY 78 FMS
LOAN AGREEMENT FOR \$43 MILLION FOR MOROCCO FOLLOWING
ELIMINATION OF EXISTING ARREARAGES REPORTED IN PREVIOUS
CABLES. ON ASSUMPTION THAT THIS WILL BE DONE IN TIMELY
FASHION, WE ARE PROVIDING INFORMATION BELOW CONCERNING
GUARANTY FEE AND AUTHORIZING DOCUMENTS WHICH GOM MUST
PREPARE PRIOR TO SIGNING FY 78 AGREEMENT. IN PASSING THIS
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INFORMATION TO GOM OFFICIALS YOU SHOULD STRESS THAT WE ARE
REMINDING THEM OF THESE REQUIREMENTS AT THIS TIME SO THAT
THESE REQUIREMENTS CAN BE MET IN TIME TO ALLOW SIGNATURE
BEFORE SEPT. 29 (LAST WORKING DAY OF FISCAL YEAR) BUT THAT
ELIMINATION OF ARREARAGES IS AN ABSOLUTE REQUIREMENT
BEFORE FY 78 AGREEMENT CAN BE SIGNED. FINANCING IS PRO-
VIDED FOR USE AGAINST WESTINGHOUSE AIR DEFENSE RADAR

CONTRACT. ANY SIGNIFICANT CHANGE IN THIS PROPOSED USE SHOULD BE SUBMITTED TO DEPARTMENT FOR APPROVAL.

2. PROCEDURES AND TERMS OF LOAN AGREEMENT. TERMS OF LOAN CALL FOR \$43 MILLION PRINCIPAL TO BE REPAYED TO FEDERAL

FINANCING BANK (FFB) IN FIFTEEN APPROXIMATELY EQUAL SEMI-ANNUAL PAYMENTS COMMENCING APPROXIMATELY ONE YEAR AFTER SIGNATURE OF THE LOAN AGREEMENT. DISBURSEMENT PERIOD WILL END TWENTY-FOUR MONTHS AFTER SIGNATURE OF THE LOAN AGREEMENT. DEPARTMENT OF DEFENSE WILL GUARANTEE THE LOAN, FOR WHICH THE GOM WILL PAY A GUARANTY FEE OF \$107,500 FROM ITS OWN RESOURCES. OTHER TERMS OF THE LOAN WILL BE DETERMINED BY THE FFB, AND ARE SIMILAR (BUT NOT IDENTICAL) TO TERMS OF FY 77 LOAN.

3. AT TIME OF SIGNATURE OF LOAN AGREEMENT IN WASHINGTON, GOM REPRESENTATIVE MUST PROVIDE FOLLOWING:

A. GUARANTY FEE OF \$107,500 IN FORM OF CHECK FOR THAT AMOUNT MADE PAYABLE TO "TREASURY OF THE UNITED STATES".

B. COPY OF AUTHORIZATION BY GOM TO ITS REPRESENTATIVE TO SIGN LOAN AGREEMENT. IN ADDITION, BEFORE FUNDS MAY BE DISBURSED, SIMILAR WRITTEN AUTHORIZATIONS ARE REQUIRED FOR PERSON(S) TO SIGN ON BEHALF OF MOROCCO (1) PROMISSORY CONFIDENTIAL

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NOTE AND (2) OTHER DOCUMENTS CONTEMPLATED BY LOAN AGREEMENT SUCH AS REQUESTS FOR ADVANCES OF FUNDS. REQUIRED AUTHORIZATIONS MAY BE PROVIDED IN SINGLE DOCUMENT OR IN SEPARATE DOCUMENTS. THEY MAY BE IN ANY WRITTEN FORM, INCLUDING CABLED INSTRUCTIONS TO GOM EMBASSY WASHINGTON PROVIDED THEY ARE IN ENGLISH OR ARE ACCOMPANIED BY AN OFFICIAL ENGLISH TRANSLATION.

4. GOM SHOULD BE MADE AWARE OF URGENCY OF SETTLING ARREARAGES. ALTHOUGH AGREEMENT MAY BE SIGNED UP UNTIL SEPTEMBER 29, IF ARREARAGES HAVE NOT BEEN SETTLED BY SEPTEMBER 15, PRESSURE TO REALLOCATE FUNDS TO OTHER COUNTRIES MAY BECOME SO GREAT THAT WE COULD NOT CONTINUE TO HOLD THEM FOR MOROCCO'S USE. OUR PURPOSE IN PASSING THIS INFORMATION TO GOM AT PRESENT TIME IS TO DEMONSTRATE OUR DESIRE TO MOVE EXPEDITIOUSLY TO CONCLUDE LOAN AGREEMENT, BUT TO EMPHASIZE THAT WE ARE UNABLE TO TAKE THIS STEP UNTIL GOM GETS ITS PAYMENTS SITUATION IN ORDER. CHRISTOPHER

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